

Food Consumption in China: Feeding the Dragon

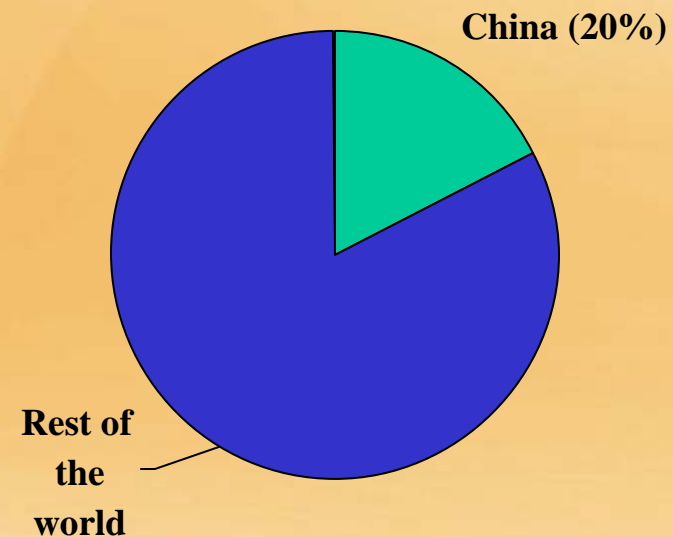
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USDA



A big target

- Approximately one-fifth of world's consumers
- All eyes are on the China market

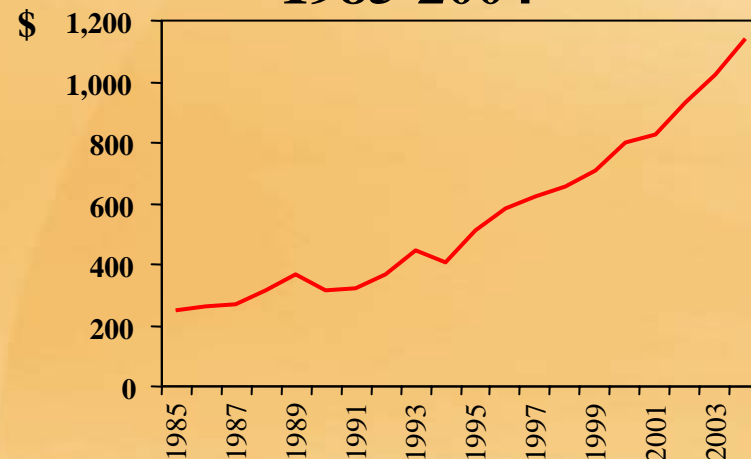
China's share of world population, 2005



A moving target

- Income doubles every decade for urban families
- GDP growth 10% per year

**China Urban Household
Per Capita Income,
1985-2004**



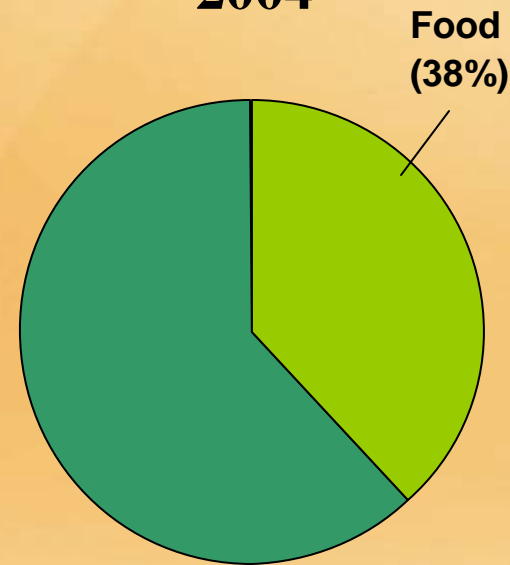
Note: Converted to U.S.\$ at official exchange rate.
Source: Calculations by ERS using China National Bureau of Statistics data.



Food is biggest item in Chinese budgets

- Urban households: food is 38% of expenditures
- Rural households: even higher
- Points to historical importance of food
- Emphasis on food self-sufficiency

Food share of urban household spending, 2004

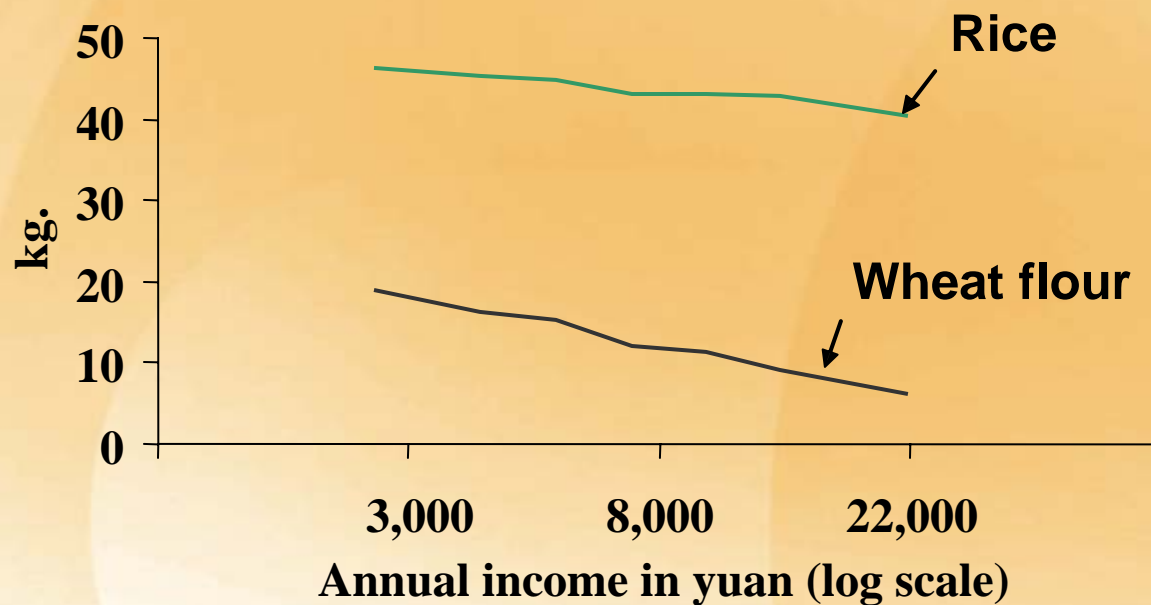


Source: Calculated by USDA/ERS from China National Bureau of Statistics data.



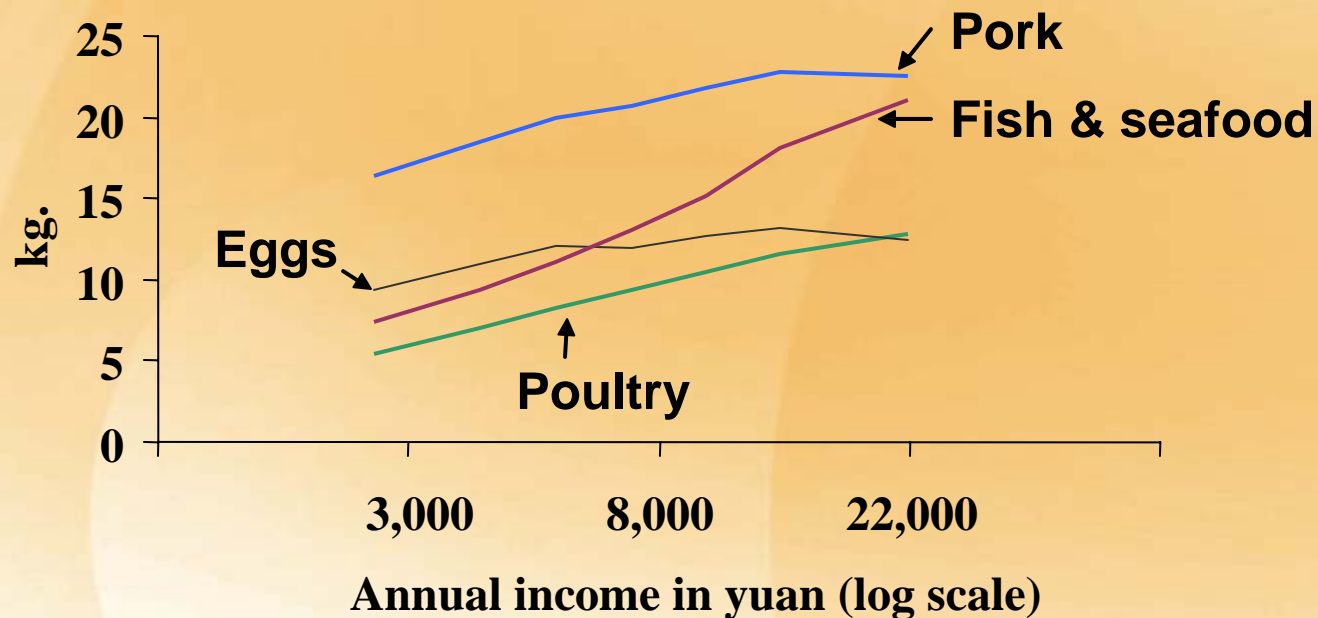
Consumption of food grains falls as income rises

Annual per capita purchases by income level, urban Chinese households, 2003



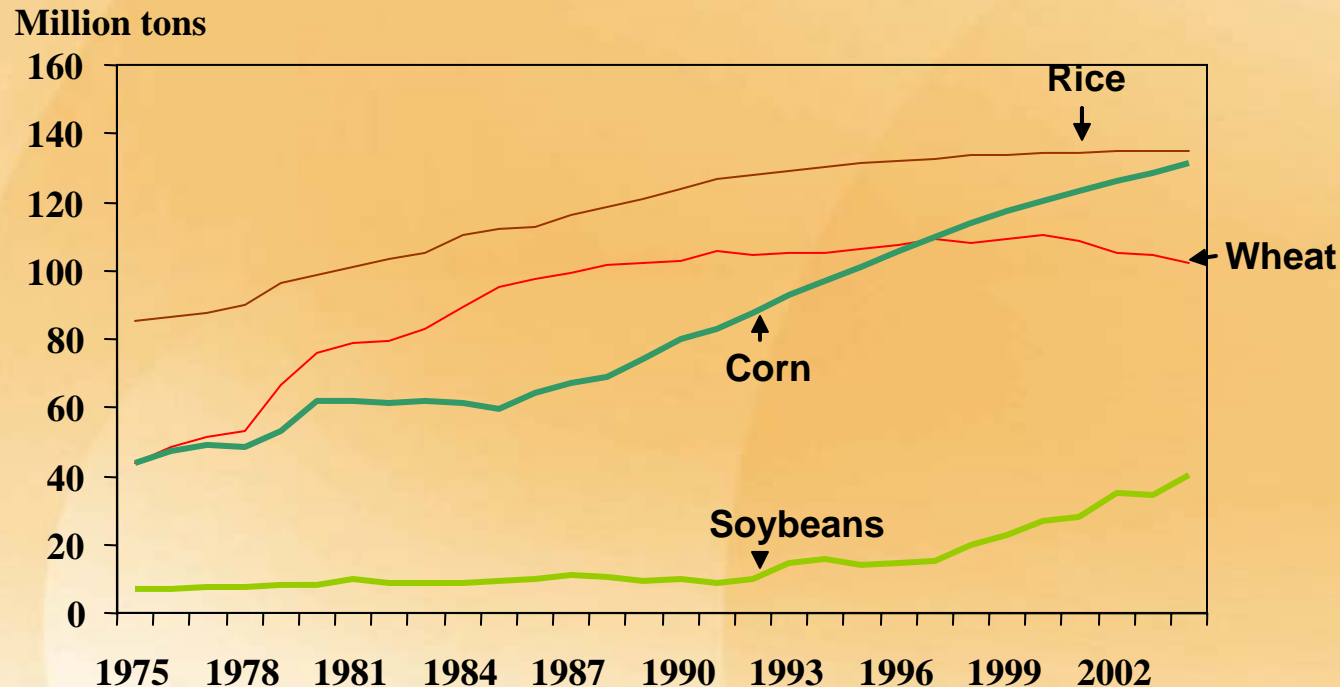
Consumption of fish and meats grows when income rises

Annual per capita purchases by income level, urban
Chinese households, 2003



Corn and soybean consumption rising

China estimated consumption of grains, 1975-2004

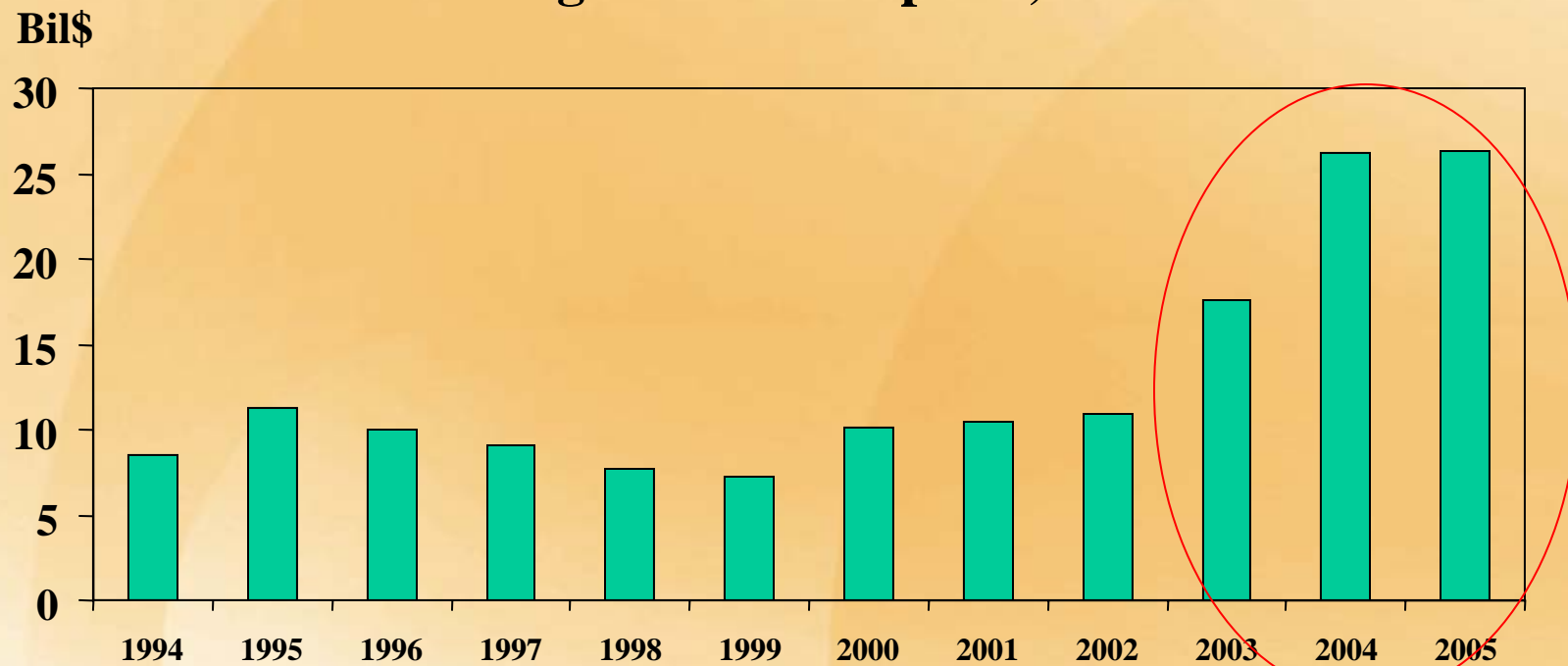


Source: USDA production, supply, and demand estimates.



Who is feeding the dragon?

China's agricultural imports, 1994-05

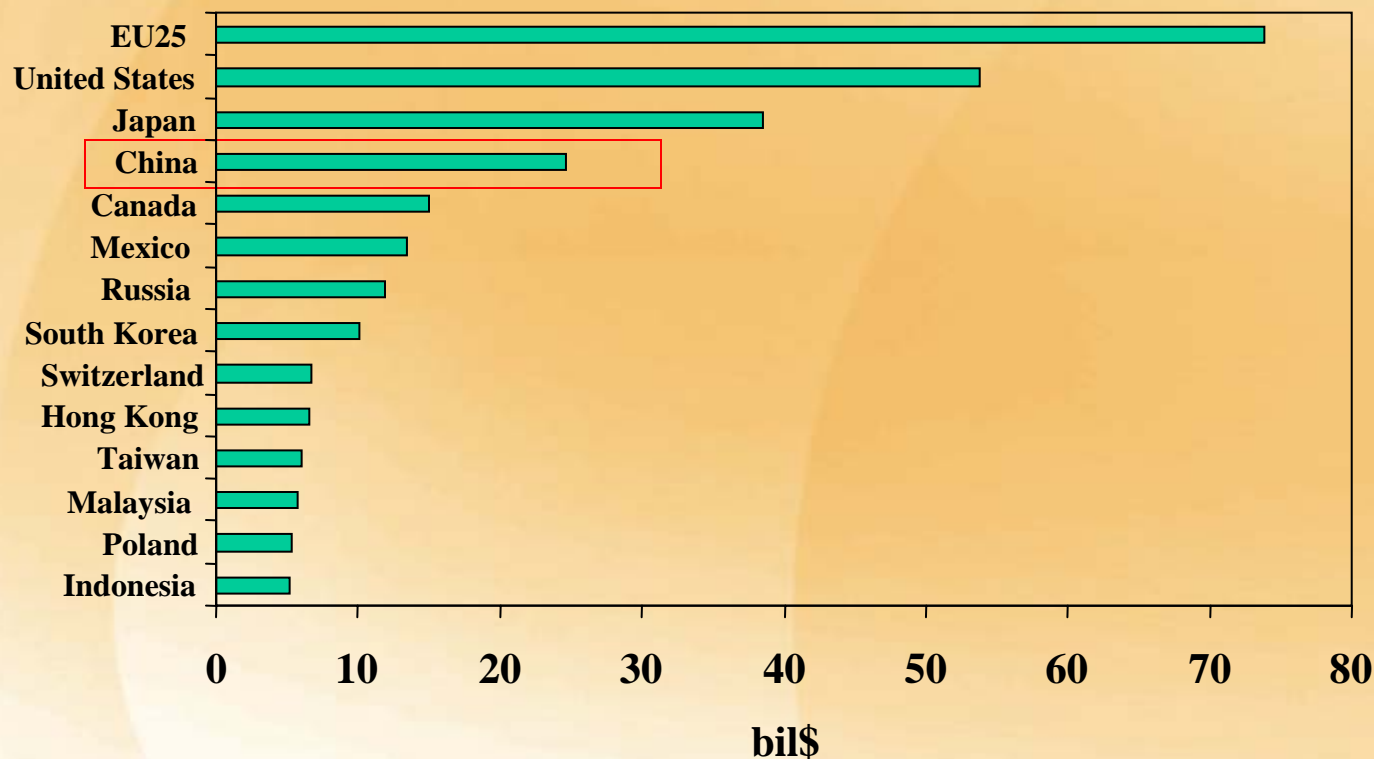


Source: Calculated by ERS from China customs statistics.



China is now one of the top importers of agricultural products

Agricultural imports by country, 2004



Source: Calculations by ERS using data from Global Trade Atlas.



Top destination for U.S. ag exports

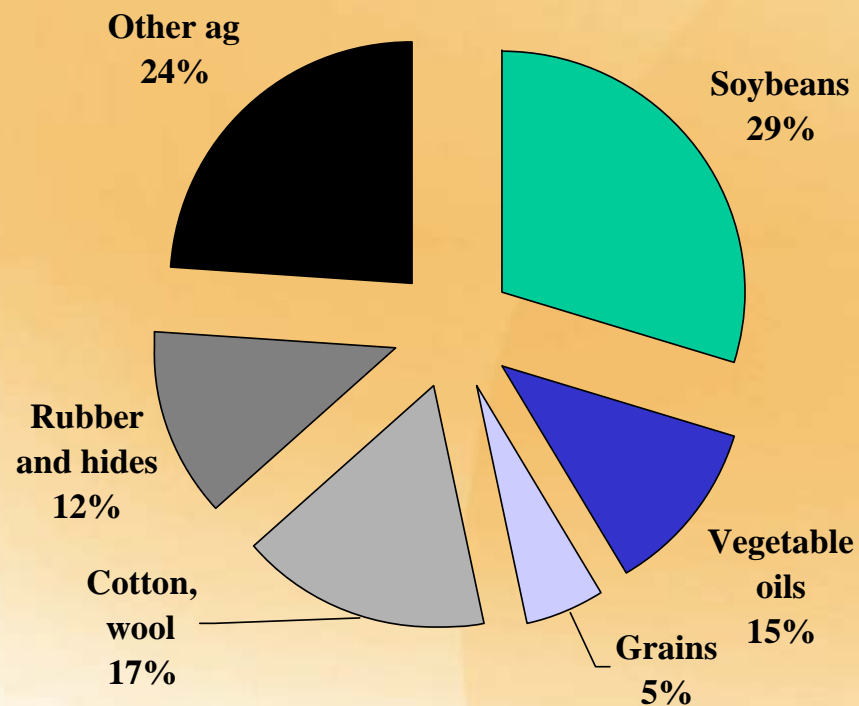
Destination	U.S. ag exports, 2004 (billion dollars)
Canada	9.7
Mexico	8.5
Japan	8.1
China	5.5

Source: USDA, Foreign Agricultural Service.



But China's ag imports concentrated in a few products

Composition of China ag imports, 2005

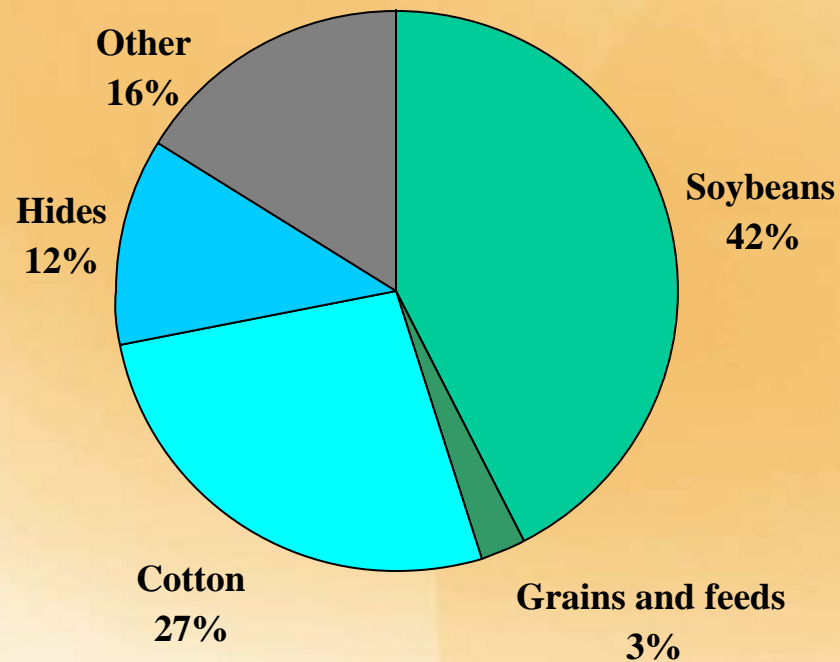


Source: ERS analysis of China customs data.



U.S. ag exports to China mainly soybeans and cotton

**Composition of U.S. ag exports to China,
January-November, 2005**



Note: Chart shows share of exports by dollar value.

Source: ERS calculations based on data from USDA, Foreign Agricultural Service.



The Dragon is mostly feeding itself

- Industrial growth: cotton, hides, rubber
- Oilseed complex: soybeans, veg. oil
- Mostly self-sufficient in other major foods



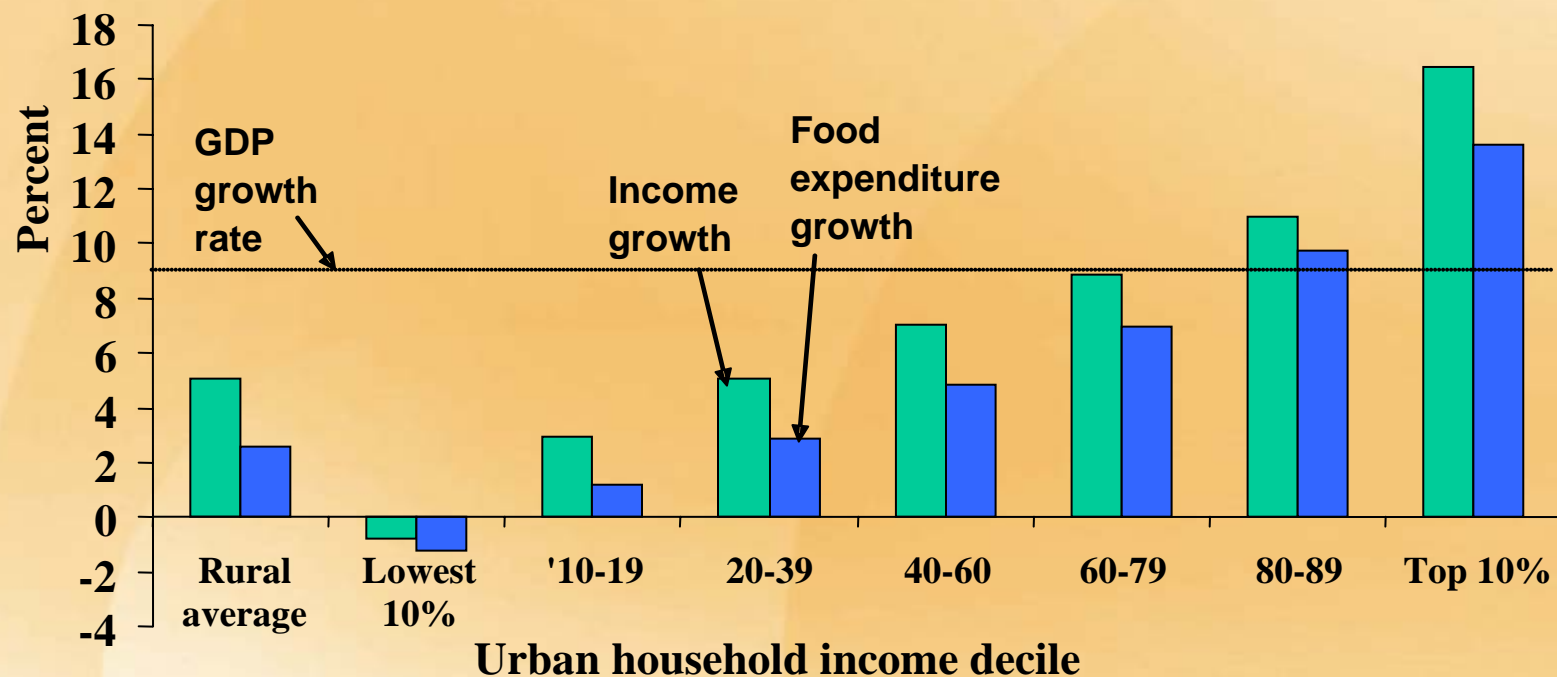
Many other spending priorities for Chinese consumers

- Housing
- Education
- Leisure and travel
- Health
- Automobiles



Income growth not spread evenly

Average annual growth in household income and food expenditure, 2000-03, by income class



Source: Calculated by ERS from China National Bureau of Statistics data.



Chinese consumers buying “quality”, not just quantity

- Meals in restaurants
- Processed food
- Brand names
- Exotic foods
- Safer food
- More “value added”



Domestic food prices are low

	China	U.S.
Average food spending per person per year, 2003	\$262	\$5,050
Average retail price, 2005	US\$ per pound	
Rice	.33	.58
Poultry	.58	1.07
Pork	.89	3.05
Tomatoes	.22	1.55
Apples	.12	.99

Sources: ERS estimates from China National Bureau of Statistics, China National Development and Reform Commission, U.S. Bureau of Labor Statistics.



Can China keep up with demand for *safe* food?

- Pesticide, antibiotic residues, industrial pollutants
- Fake or fraudulent products
- Microbial contamination?



Can China spread the wealth?

- Retailers are entering second-tier cities
- Raising rural incomes is a major policy goal
- Rural migrants spread consumer culture to their home villages
- Rural supermarket and road-building campaigns



China's policies?

- Tariffs have fallen and regulations are being loosened
 - Average agricultural tariff about 15%
- Appreciation of China's currency would make imported food cheaper



Outlook

- China will have to increase its reliance on agricultural imports
- Rising domestic demand may curb China's exports of corn, fruit, and vegetables
- Value-added (processing and services) performed in China
- Imports of raw materials



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overview
China's policies on agriculture and agricultural trade have changed dramatically over the last 20 years, reducing the role of government intervention and centralized planning and simultaneously increasing the role of market forces. China's membership in the World Trade Organization (WTO) will further increase reliance on market forces, and will enhance opportunities for U.S. agricultural exports. As the incomes of China's 1.3 billion people continue to rise, demand for more and higher quality food products will grow. Domestic production will be unable to meet all of this demand, and in the future China will be a key market for agricultural exports.

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[Commercialization of Food Consumption in Rural China](#). The large rural population in China has traditionally consumed large amounts of self-produced grains and vegetables. As incomes rise and markets develop, rural households are purchasing more of their food from markets.

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